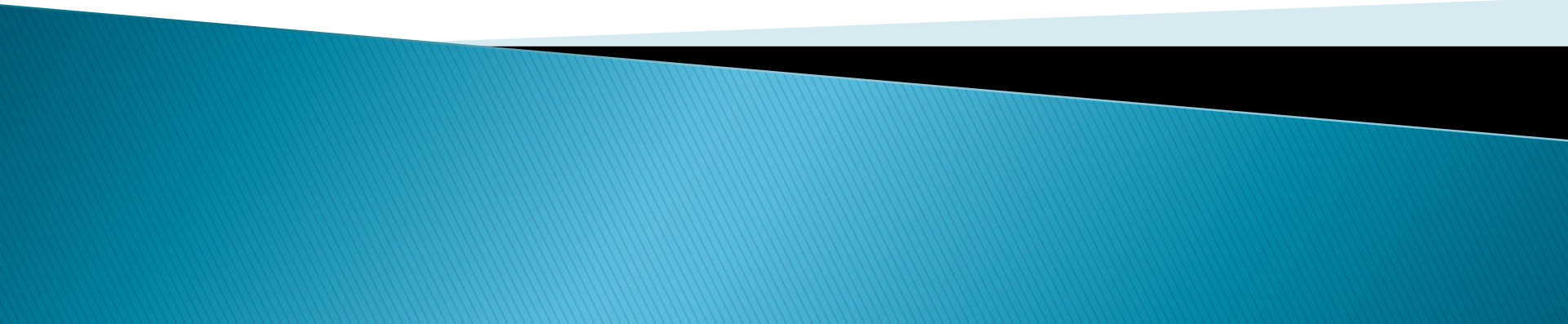
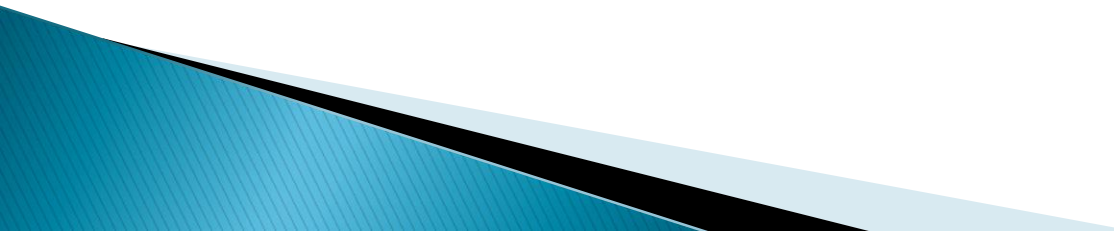


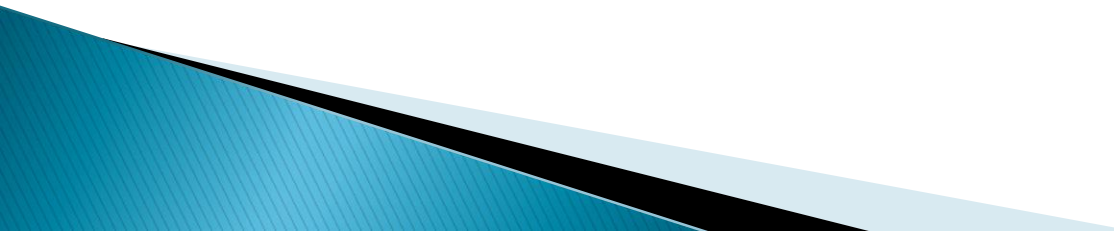
Property Tax – Waiver of Penalty



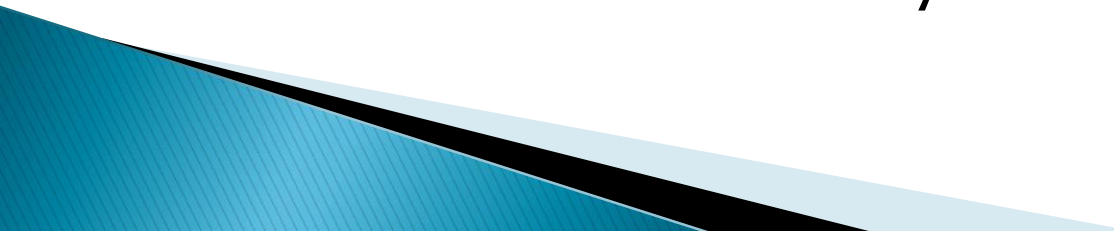
Framework

- ▶ Tried to contact 42 jurisdictions
 - 15 school districts
 - 27 cities
 - ▶ Connected with all 15 school districts and 23 cities.
 - ▶ Spoke with Finance Directors, Business Managers, City Administrators, Treasurers, Mayors and Superintendents.
 - ▶ Discussed my concern that Auditor's from around the state are hearing from people that they will not be able to meet the May 15th property tax deadline because of the state shut-down. Both businesses and laid-off employees.
- 

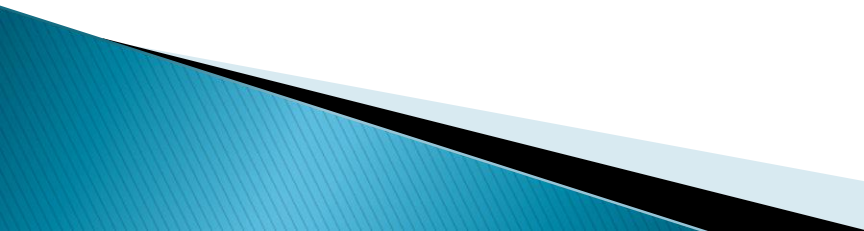
Framework

- ▶ We initially felt that the state should come up with a direction based on consistency for all counties to be doing the same thing.
 - ▶ In case the state does not do something, the MN Association of County Auditor's recommended we waive penalties in some form or fashion until July sometime, such as July 1st or 15th.
 - ▶ When talking to the jurisdictions, we used July 15th as the date for sake of the discussion.
- 

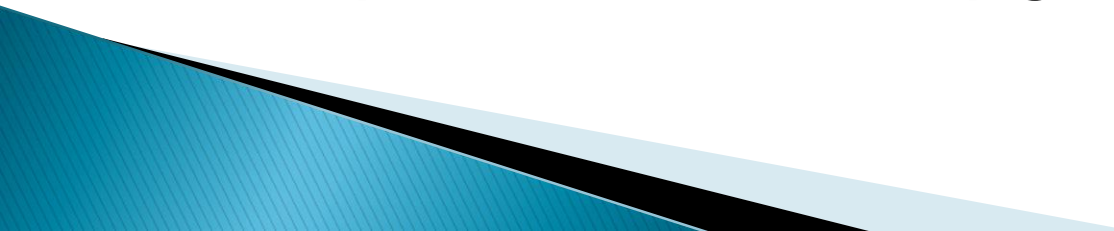
Framework

- ▶ Escrow payments for SLC last year were about 24%.
 - ▶ I recommend not allowing those to be delayed.
 - ▶ Then we added another 26% worst case scenario to the payments to come up with 50%.
 - ▶ I asked them to review their financial situation and to let me know if they received 50% of their payments in June and the rest in August, would they be put in financial peril.
 - ▶ Some of the options presented would bring in more, but the worst case option should not bring in less than 50% in May.
- 


Option 1

- ▶ Waive Penalty for those property owners that fill out a form attesting to the fact that they need an extension of the Property Tax due date based on being negatively affected by the Governor closing businesses because of the Covid-19 pandemic.
 - ▶ Whatever money was received by us in May for their jurisdiction they would receive in June.
 - ▶ Whatever money comes in through July 15th for their jurisdiction, they would receive in early August.
 - ▶ For those that have indicated they have debt service payment due August 1st, they would receive their money by July 28th.
- 


Option 1

- ▶ A form would be created that would be available for people to fill out.
 - ▶ I would like it to include a statement that they may be required to provide documentation in the future to justify their declaration.
 - ▶ We would create an excel spreadsheet that includes all parcels that forms were submitted for.
 - ▶ When late payments arrive, we would need to check the payments against the spreadsheet and put through an adjustment for the penalty that the system automatically generates.
- 

Option 1

- ▶ This option would require some additional work in the tax division, but it is doable.
 - ▶ People that are not affected by the virus would still be required to pay, so a significant amount of payments should still come in.
 - ▶ We could exclude Utility and Industrial classifications from the use of this form, along with properties that are paid by escrow to help ensure we reach 50%.
 - ▶ This option would relieve some of the anxiety in the community. It would show we understand that these are unprecedented times and we are here to work with our community to the best of our ability.
- 


Option 2

- ▶ Waive Penalty for everyone that pays by July 15th except escrows. We would ask those that can to still pay by May 15th.
 - ▶ Whatever money was received by us in May for their jurisdiction they would receive in June.
 - ▶ Whatever money comes in through July 15th for their jurisdiction, they would receive in early August.
 - ▶ For those that have indicated they have debt service payment due August 1st, they would receive their money by July 28th.
- 

Option 2

- ▶ A significant number of people would hold off paying, even though they could pay.
- ▶ We receive a huge amount of payments on May 15th that would more than likely be deferred until July 15th.

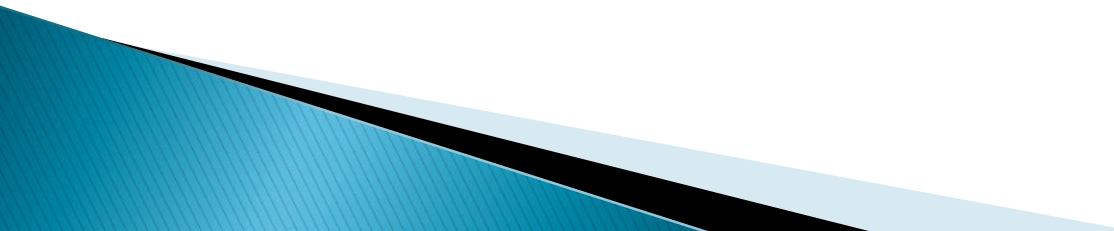
Option 3

- ▶ Wait until after May 15th and see how many default. Then offer a form to be filled out to get penalties waived until July 15th.
 - ▶ Whatever money was received by us in May for their jurisdiction they would receive in June.
 - ▶ Whatever money comes in through July 15th for their jurisdiction, they would receive in early August.
 - ▶ For those that have indicated they have debt service payment due August 1st, they would receive their money by July 28th.
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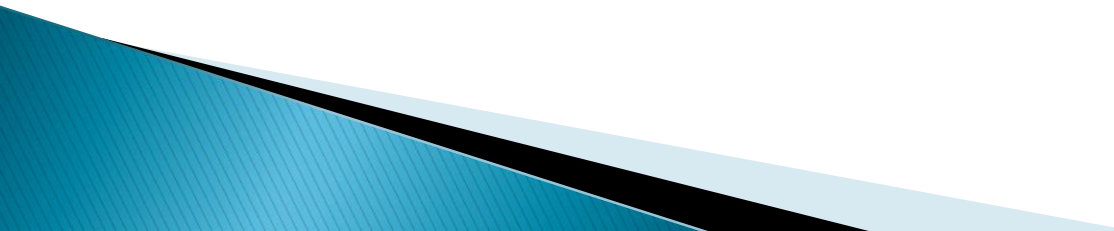
Option 3

- ▶ This would bring in as many of the payments as possible.
- ▶ It may come across as not being supportive of the community in a time of crisis until after people that truly need the help have mentally gone through the process of defaulting.

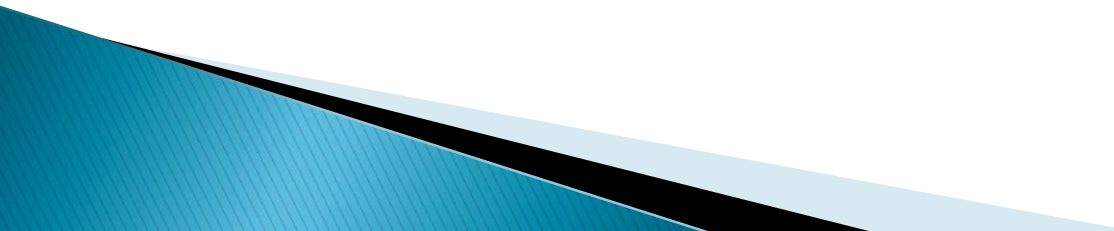
Option 4

- ▶ Do not offer any waiver of penalties.
 - ▶ Jurisdictions would get whatever money was received by us in May for their jurisdiction in June.
 - ▶ This would bring in as many of the payments as possible.
 - ▶ It may be viewed as government shuts us down / resulting in massive layoffs and business closures, but still expects us to pay.
- 

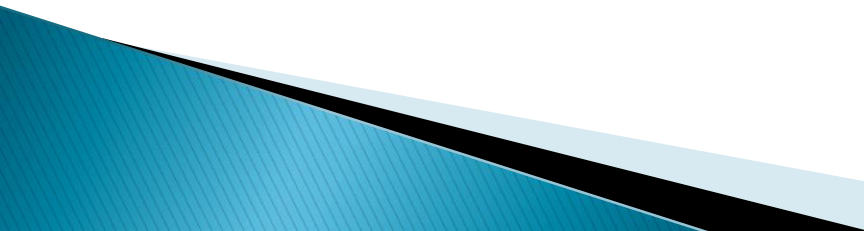
Other Counties in MN

- ▶ There are many different ways in which counties are implementing some form of help to those in need based on the effects of the shut-down and what they can afford to do.
 - ▶ Counties such as Ramsey, Washington, and Hennepin are waiving penalties through July 15th where the amount of their total taxes owed is \$50,000 or less. Washington is talking about waiving penalties if the parcel tax is under \$100,000.
- 

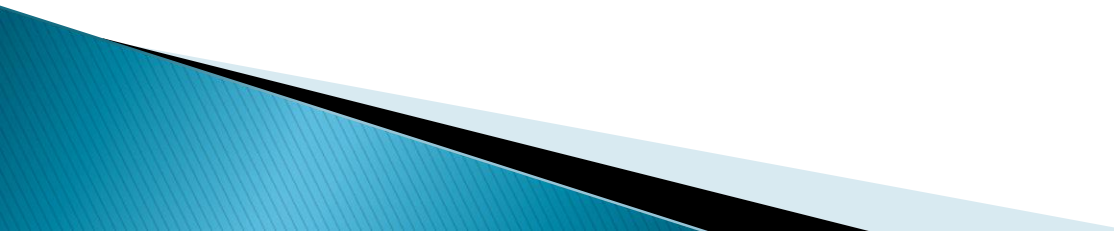
Other Counties in MN

- ▶ Crow Wing County is waiving penalties for homestead and those commercial properties on the governor's list that had to close. They are requiring people to submit documentation showing they were laid off, such as an unemployment stub or something from their company.
 - ▶ Sherburne County and 4 others around them are reducing their penalty to 1%.
 - ▶ Some rural counties that are basically residential and agriculture have not been hit as hard by the shut-down so they are not going to do anything.
- 

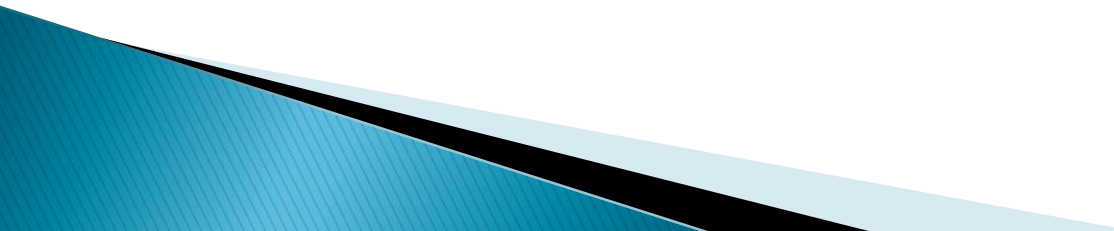
Jurisdictions

- ▶ Jurisdictions looked at their cash flow including expenses, cash on hand, investments coming due that they would not reinvest, investments they could cash in without a huge penalty, debt service payments and other revenue sources.
 - ▶ All of the jurisdictions I spoke with were able to financially handle 50% delay in payments until either July 28th for those with debt service payments due August 1st or early to mid August for everyone else.
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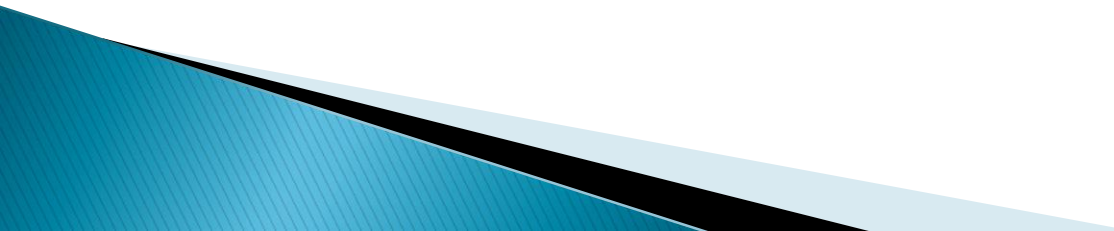
Jurisdictions

- ▶ Most of the Jurisdictions were in support of Option 1.
 - ▶ None were in favor of Option 2.
 - ▶ Two were in favor of Option 3.
 - ▶ The primary reason they supported Option 1 had to do with helping out those businesses and individuals affected by the closures, but also still being able to collect more payments than moving it for everyone to July 15th.
- 

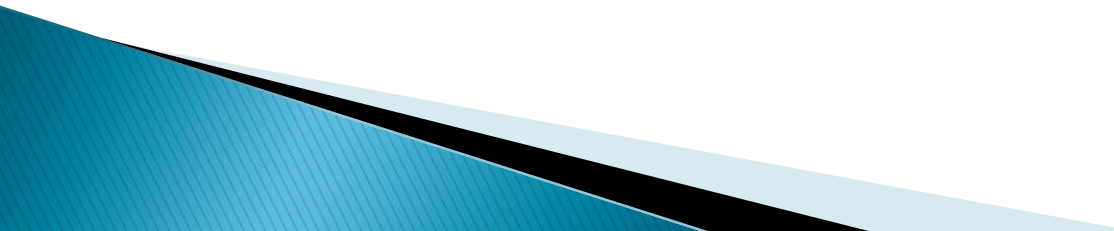
Auditor's Recommendation

- ▶ After hearing from many of the jurisdictions that would also be affected by delaying payments, researching payment scenarios, and taking into account St. Louis County's financial needs, I recommend Option 1.
 - ▶ I would not make this recommendation if the Jurisdictions were not able to financially handle the delay.
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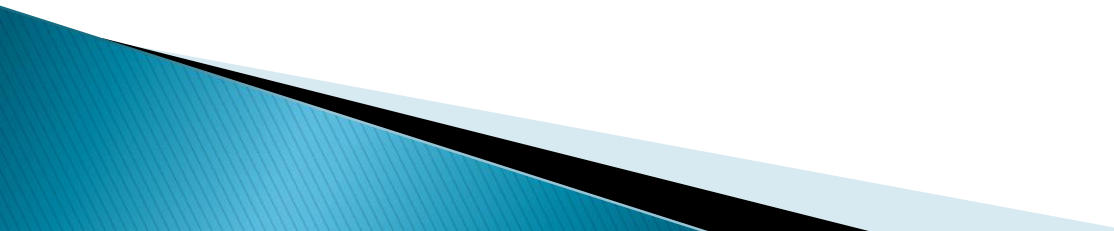
Auditor's Recommendation

- ▶ I would be open to tweaks to who qualifies for the waiver to help ensure more money comes in May for classifications, such as Utilities and Industry, if the board feels those industries have not been significantly affected.
 - ▶ First half payments
 - Utility Classifications – about \$20 million
 - Industry Classifications – about \$3 million
 - Escrow Companies – about \$39 million
 - Current Collections to date – about \$7 million
- 

Recommendation

- ▶ Normally would expect about \$171 million in May.
 - ▶ At a 50% collection rate that would be \$85.5 million.
 - ▶ Total estimated amount of Escrow, Utility and Industry Classifications, and Collections to date amount to \$69 million.
 - ▶ We would need \$16.5 million from the rest of the taxpayers not affected by the shut-down.
- 

Recommendation

- ▶ I believe with Option 1, we would collect at least that amount or more.
 - ▶ After reviewing the data, I would not recommend selecting a dollar amount to exclude above because it could bring up a case for unfair competition. For example some commercial hotels fall under the amount selected and others are above it.
- 

Questions and Discussion